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August 8, 2003

Mr. Tom Carter
Power Operations Manager
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, CA 95630-4710

RE: COMMENTS ON WESTERN AREA POWER ADMINISTRATION'S OPERATIONAL ALTERNATIVE FOR POST 2004 OPERATIONS

Dear Mr. Carter;

The University of California (UC) submits the following comments in response to the Federal Register Notice dated June 24, 2003 by the Western Area Power Administration (WAPA) regarding its Operation Alternatives for Post-2004 Operations. UC submits these comments to express our concerns as a non-direct connect WAPA customer with various of WAPA's 2005 Marketing Plan alternatives.

As an education, research and medical institution charged with serving the people of California, we are constantly striving to reduce cost while providing an enhanced level of service. An essential component in meeting that responsibility is our reliance upon WAPA to provide fairly priced and reliable energy supplies.

In particular, we are concerned with the impact that Option 4, the formation of a new control area, would have on the cost of electrical transmission to Western's non-direct connect customers such as the UC campuses.

As stated in the June 24,2003 Notice of Intent, under option 4 item 2: "Customers located on the CAISO grid will be assessed charges for delivery of their allocations associated with the use of the CAISO-controlled grid, ancillary services charges, transmission distribution charges, and other CAISO charges." It appears to us that these charges are virtually identical to charges that UC campuses would incur in the other alternatives that WAPA is considering.

In addition it is noted that this alternative contains many costly provisions for the infrastructure required to establish a control area. For example, in addition to the cost of setting up and maintaining the separate control area, Western proposes to condemn, through federal eminent domain, two facilities bringing power into California from the Northwest. There is little doubt that it is a costly proposition not supported by the owner of the facilities, Pacific Gas and Electric (PG&E). It is unclear as to how Western plans to distribute among its customers the increased cost associated with the condemnation and the cost associated with expiration of the coordination agreement with PG&E. Any costs distributed to non-direct connect customers would seem to make this the highest cost alternative for this class of Western customer.

Further, we found it unsettling that the reliability of service to non-direct connect customers was not specifically addressed in the discussion of alternatives. This may be because there is really no difference between alternatives 2-4 in this area. If this is the case, it would seem that there is no immediate real advantage to non-direct connect customers to alternative 4.

We ask that prior to making a decision about this proposal, Western analyze all alternatives presented to them, and assess the economic and reliability impact on <u>all</u> of its participants. Giving preference to a particular class of customers based upon their geographical location is nothing less than discriminatory.

Sincerely,

Maric S. Munn, P.E.
Associate Director, Energy and Utility Services
University of California, Office of the President
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cc:
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